



(Stock Code: 388)

Condensed Consolidated Financial Statements

For the six months ended

30 June 2010

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

(Financial figures are expressed in Hong Kong Dollar)

		Six months ended 30 Jun 2010 \$m	As restated Six months ended 30 Jun 2009 \$m	Three months ended 30 Jun 2010 \$m	As restated Three months ended 30 Jun 2009 \$m
	Note				
Trading fees and trading tariff	3	1,285	1,216	632	720
Stock Exchange listing fees	4	425	327	204	174
Clearing and settlement fees		727	651	362	394
Depository, custody and nominee services fees		320	319	247	257
Income from sale of information		335	327	166	172
Other revenue	5	204	174	96	90
REVENUE		3,296	3,014	1,707	1,807
Investment income		159	327	33	192
Interest rebates to Participants		(1)	(2)	-	(1)
Net investment income	6	158	325	33	191
TURNOVER	2	3,454	3,339	1,740	1,998
OPERATING EXPENSES					
Staff costs and related expenses	7	421	409	212	227
Information technology and computer maintenance expenses	8	128	120	64	61
Premises expenses		105	112	52	58
Product marketing and promotion expenses		8	6	5	3
Legal and professional fees		6	7	4	3
Depreciation		53	48	26	23
Other operating expenses		55	58	28	31
	2	776	760	391	406
PROFIT BEFORE TAXATION	2	2,678	2,579	1,349	1,592
TAXATION	9	(420)	(392)	(218)	(239)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS		2,258	2,187	1,131	1,353
Basic earnings per share	11(a)	\$2.10	\$2.04	\$1.05	\$1.26
Diluted earnings per share	11(b)	\$2.09	\$2.03	\$1.05	\$1.25

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

(Financial figures are expressed in Hong Kong Dollar)

	Six months ended 30 Jun 2010 \$m	As restated Six months ended 30 Jun 2009 \$m	Three months ended 30 Jun 2010 \$m	As restated Three months ended 30 Jun 2009 \$m
Profit attributable to shareholders	2,258	2,187	1,131	1,353
Other comprehensive income:				
Available-for-sale financial assets:				
Change in fair value during the period	-	(45)	-	8
Change in fair value up to maturity	-	(49)	-	(34)
Less: Reclassification adjustment:				
Gains included in profit or loss on disposal	-	(3)	-	(3)
Deferred tax	-	16	-	5
Other comprehensive income attributable to shareholders, net of tax	-	(81)	-	(24)
Total comprehensive income attributable to shareholders	2,258	2,106	1,131	1,329

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

(Financial figures are expressed in Hong Kong Dollar)

	Share capital, share premium and shares held for Share Award Scheme (note 21) \$m	Employee share-based compensation reserve (note 22) \$m	Designated reserves (note 23) \$m	Retained earnings (note 24) \$m	Total equity \$m
At 1 Jan 2010	1,400	43	563	6,021	8,027
Total comprehensive income attributable to shareholders	-	-	-	2,258	2,258
2009 final dividend at \$2.09 per share	-	-	-	(2,251)	(2,251)
Unclaimed dividends forfeited	-	-	-	14	14
Shares issued under employee share option schemes	31	-	-	-	31
Shares purchased for Share Award Scheme	(91)	-	-	-	(91)
Vesting of shares of Share Award Scheme	2	(2)	-	-	-
Employee share-based compensation benefits	-	10	-	-	10
Transfer of reserves	7	(7)	6	(6)	-
At 30 Jun 2010	1,349	44	569	6,036	7,998

	Share capital, share premium and shares held for Share Award Scheme \$m	Employee share-based compensation reserve \$m	Other comprehensive income Revaluation reserve \$m	Designated reserves \$m	Retained earnings \$m	Total equity \$m
At 1 Jan 2009, as previously reported	1,357	47	97	552	5,243	7,296
Effect of changes in accounting policies (note 1)	-	-	-	-	(2)	(2)
At 1 Jan 2009, as restated	1,357	47	97	552	5,241	7,294
Total comprehensive income attributable to shareholders	-	-	(81)	-	2,187	2,106
2008 final dividend at \$1.80 per share	-	-	-	-	(1,935)	(1,935)
Unclaimed dividends forfeited	-	-	-	-	3	3
Shares issued under employee share option schemes	19	-	-	-	-	19
Shares purchased for Share Award Scheme	(7)	-	-	-	-	(7)
Vesting of shares of Share Award Scheme	1	(1)	-	-	-	-
Employee share-based compensation benefits	-	12	-	-	-	12
Transfer of reserves	5	(5)	-	5	(5)	-
At 30 Jun 2009, as restated	1,375	53	16	557	5,491	7,492

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

(Financial figures are expressed in Hong Kong Dollar)

	Note	At 30 Jun 2010			As restated At 31 Dec 2009		
		Current \$m	Non-current \$m	Total \$m	Current \$m	Non-current \$m	Total \$m
ASSETS							
Cash and cash equivalents	12	15,666	-	15,666	14,738	-	14,738
Financial assets measured at fair value through profit or loss	13	10,678	1,185	11,863	12,466	1,559	14,025
Financial assets measured at amortised cost	14	4,712	1,179	5,891	4,157	768	4,925
Accounts receivable, prepayments and deposits	15	9,457	6	9,463	11,334	7	11,341
Fixed assets		-	279	279	-	303	303
Lease premium for land	16	-	26	26	-	-	-
Total assets		40,513	2,675	43,188	42,695	2,637	45,332
LIABILITIES AND EQUITY							
Liabilities							
Margin deposits from Clearing Participants on derivatives contracts	17	18,696	-	18,696	20,243	-	20,243
Cash collateral from HKSCC Clearing Participants	18	3,700	-	3,700	3,432	-	3,432
Accounts payable, accruals and other liabilities	19	10,487	-	10,487	11,827	-	11,827
Deferred revenue		266	-	266	424	-	424
Taxation payable		483	-	483	261	-	261
Other financial liabilities		51	-	51	42	-	42
Participants' contributions to Clearing House Funds	20	1,154	282	1,436	723	276	999
Provisions		29	29	58	33	26	59
Deferred tax liabilities		-	13	13	-	18	18
Total liabilities		34,866	324	35,190	36,985	320	37,305
Equity							
Share capital	21			1,078			1,076
Share premium	21			412			376
Shares held for Share Award Scheme	21			(141)			(52)
Employee share-based compensation reserve	22			44			43
Designated reserves	20, 23			569			563
Retained earnings	24			6,036			6,021
Shareholders' funds				7,998			8,027
Total equity and liabilities				43,188			45,332
Net current assets				5,647			5,710
Total assets less current liabilities				8,322			8,347

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

(Financial figures are expressed in Hong Kong Dollar)

	Note	Six months ended 30 Jun 2010 \$m	As restated Six months ended 30 Jun 2009 \$m
CASH FLOWS FROM OPERATING ACTIVITIES			
Net cash inflow from operating activities	25	3,023	2,531
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for purchases of fixed assets		(17)	(24)
Net proceeds from sales of fixed assets		1	-
Payments for acquisition of lease premium for land		(26)	-
Net (increase)/decrease in financial assets of the Corporate Funds:			
Increase in time deposits with original maturities more than three months		(606)	(470)
Payments for purchases of available-for-sale financial assets		-	(405)
Net proceeds from maturity of available-for-sale financial assets		-	2,059
Payments for purchases of financial assets measured at amortised cost (excluding bank deposits)		(230)	(761)
Net proceeds from sales or maturity of financial assets measured at amortised cost (excluding bank deposits)		377	-
Payments for purchases of financial assets measured at fair value through profit or loss		-	(800)
Net proceeds from sales of financial assets measured at fair value through profit or loss		372	-
Interest received from available-for-sale financial assets		-	151
Interest received from financial assets measured at amortised cost (excluding bank deposits)		8	-
Interest received from financial assets measured at fair value through profit or loss		99	11
Net cash outflow from investing activities		(22)	(239)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares under employee share option schemes		31	19
Purchases of shares for Share Award Scheme		(91)	(7)
Dividends paid		(2,236)	(1,922)
Net cash outflow from financing activities		(2,296)	(1,910)
Net increase in cash and cash equivalents		705	382
Cash and cash equivalents at 1 Jan		4,751	4,756
Cash and cash equivalents at 30 Jun		5,456	5,138
Analysis of cash and cash equivalents			
Cash collateral received – cash at bank		3,700	3,732
Cash at bank and in hand		959	929
Time deposits with original maturities within three months		797	477
Cash and cash equivalents at 30 Jun		5,456	5,138

NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS (UNAUDITED)

(Financial figures are expressed in Hong Kong Dollar)

1. Basis of Preparation and Accounting Policies

These unaudited condensed consolidated accounts are prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34: Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants.

These unaudited condensed consolidated accounts should be read in conjunction with the 2009 annual accounts. The accounting policies and methods of computation used in the preparation of these accounts and segment information are consistent with those used in the annual accounts and segment information for the year ended 31 December 2009.

Adoption of new/revised accounting policies in the fourth quarter of 2009

As disclosed in the 2009 annual accounts, Hong Kong Exchanges and Clearing Limited (“HKEx”) and its subsidiaries (“Group”) adopted Hong Kong Financial Reporting Standard (“HKFRS”) 9: Financial Instruments and amended its accounting policy for measurement of leasehold building in the fourth quarter of 2009. The adoption of the new standard and the amended accounting policy had the following impact on the condensed consolidated financial statements for the six months ended 30 June 2009:

- (a) certain available-for-sale financial assets with net revaluation surpluses were reclassified to financial assets measured at amortised cost under HKFRS 9. This resulted in a \$27 million reduction in revaluation reserve but did not have any impact on profit or loss. The decrease in revaluation reserve reflected the restatement of those assets from fair value to the lower amortised cost;
- (b) certain available-for-sale financial assets with net revaluation deficits of \$14 million were reclassified to financial assets measured at fair value through profit or loss under HKFRS 9. The deficit was transferred to profit or loss under net investment income and hence retained earnings;
- (c) prior to the fourth quarter of 2009, the leasehold building was measured at valuation less accumulated depreciation. In the fourth quarter of 2009, the accounting policy of leasehold building was changed to cost less accumulated depreciation and this change has been applied retrospectively. Retained earnings therefore decreased by \$2 million as the accumulated depreciation charges were computed based on the cost of the leasehold building, which was higher than the valuation before the change in accounting policy; and
- (d) the net decrease in revaluation reserve as a result of the reclassification of financial assets in notes (a) and (b) above resulted in a \$2 million decrease in deferred tax liability and a corresponding increase in revaluation reserve.

The impact of the above changes is summarised below:

Effects on equity as at 30 June 2009

	HKFRS 9 \$m	Leasehold building \$m	Total \$m
Decrease in equity			
Revaluation reserve	(11)	-	(11)
Retained earnings	(14)	(2)	(16)

1. Basis of Preparation and Accounting Policies (continued)

Effects on condensed consolidated income statement for the six months ended 30 June 2009 and three months ended 30 June 2009

	Six months ended 30 Jun 2009 \$m	Three months ended 30 Jun 2009 \$m
Decrease in net investment income	(14)	(14)
Decrease in profit attributable to shareholders	(14)	(14)
Decrease in basic earnings per share	\$(0.01)	\$(0.01)
Decrease in diluted earnings per share	\$(0.01)	\$(0.01)

The effects on other components of the condensed consolidated income statement were less than \$1 million.

Change in presentation of consolidated statement of financial position

In previous years, the Group presented current and non-current assets, and current and non-current liabilities, as separate classifications in the consolidated statement of financial position. From June 2010 onwards, the Group decided to present its assets and liabilities in order of liquidity in the consolidated statement of financial position as it provides information that better reflects the manner in which the assets and liabilities are managed in the Group's business operations, particularly following the changes made on adopting HKFRS 9, and is thus reliable and more relevant.

The comparative figures have been restated to conform with the revised presentation.

2. Operating Segments

The Group determines its operating segments based on the reports reviewed by the chief operating decision-makers that are used to make strategic decisions.

The Group has four reportable segments. The segments are managed separately as each business offers different products and services and requires different information technology systems and marketing strategies. The following summary describes the operations in each of the Group's reportable segments:

The **Cash Market** business mainly refers to the operations of The Stock Exchange of Hong Kong Limited ("Stock Exchange"), which covers all products traded on the Cash Market platforms, such as equities, callable bull/bear contracts ("CBBCs") and derivative warrants ("DWs"). Currently, the Group operates two Cash Market platforms, the Main Board and the Growth Enterprise Market ("GEM"). The major sources of income of the business are trading fees, trading tariff and listing fees. Results of the Listing Function are included in the Cash Market. Stock Exchange listing fees and costs of the Listing Function are further explained in note 4.

The **Derivatives Market** business refers to the derivatives products traded on Hong Kong Futures Exchange Limited and stock options traded on the Stock Exchange, which includes the provision and maintenance of trading platforms for a range of derivatives products, such as stock and equity index futures and options. Its income mainly comprises trading fees, trading tariff and net investment income on the Margin Funds invested.

The **Clearing Business** refers to the operations of the three clearing houses, namely Hong Kong Securities Clearing Company Limited ("HKSCC"), The SEHK Options Clearing House Limited ("SEOCH") and HKFE Clearing Corporation Limited ("HKCC"), which are responsible for clearing, settlement and custodian activities of the Cash and Derivatives Markets operated by the Group. Its income is derived primarily from net investment income earned on the Clearing House Funds and fees from providing clearing, settlement, depository, custody and nominee services.

The **Market Data** (formerly Information Services) business is responsible for developing, promoting, compiling and sales of real-time, historical as well as statistical market data and issuer information. Its income comprises primarily income from sale of Cash Market and Derivatives Market data.

NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS (UNAUDITED) (CONT'D)

2. Operating Segments (continued)

An analysis of the Group's reportable segment profit before taxation for the period by operating segment is as follows:

	Six months ended 30 Jun 2010					
	Cash Market \$m	Derivatives Market \$m	Clearing Business \$m	Market Data \$m	Inter-segment elimination (note (a)) \$m	Group \$m
Income from external customers	1,492	356	1,112	336	-	3,296
Net investment income	36	106	22	-	(6)	158
	1,528	462	1,134	336	(6)	3,454
Operating expenses						
Direct costs	309	80	162	29	(6)	574
Indirect costs	100	27	61	14	-	202
	409	107	223	43	(6)	776
Reportable segment profit before taxation	1,119	355	911	293	-	2,678

	As restated Six months ended 30 Jun 2009					
	Cash Market \$m	Derivatives Market \$m	Clearing Business \$m	Market Data \$m	Inter-segment elimination (note (a)) \$m	Group \$m
Income from external customers	1,292	362	1,034	326	-	3,014
Net investment income	59	197	74	1	(6)	325
	1,351	559	1,108	327	(6)	3,339
Operating expenses						
Direct costs	305	83	171	25	(6)	578
Indirect costs	85	28	56	13	-	182
	390	111	227	38	(6)	760
Reportable segment profit before taxation	961	448	881	289	-	2,579

- (a) The elimination adjustment represents the inter-segment interest charge from the Corporate Centre to the Clearing Business segment for funding the closing-out of market contracts of the defaulting Participant, Lehman Brothers Securities Asia Limited.

3. Trading Fees and Trading Tariff

	Six months ended 30 Jun 2010 \$m	Six months ended 30 Jun 2009 \$m	Three months ended 30 Jun 2010 \$m	Three months ended 30 Jun 2009 \$m
Trading fees and trading tariff were derived from:				
Securities traded on the Cash Market	901	829	437	510
Derivatives contracts traded on the Derivatives Market	384	387	195	210
	1,285	1,216	632	720

NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS (UNAUDITED) (CONT'D)

4. Stock Exchange Listing Fees

Stock Exchange listing fees and costs of Listing Function comprised the following:

	Six months ended 30 Jun 2010				Six months ended 30 Jun 2009			
	Equity		CBBCs, DWs & others	Total	Equity		CBBCs, DWs & others	Total
	Main Board	GEM			Main Board	GEM		
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	
Stock Exchange Listing Fees								
Annual listing fees	181	12	1	194	164	12	1	177
Initial and subsequent issue listing fees	33	2	194	229	31	1	116	148
Other listing fees	2	-	-	2	2	-	-	2
Total	216	14	195	425	197	13	117	327
Costs of Listing Function								
Direct costs	114	26	9	149	116	25	9	150
Indirect costs	20	3	6	29	19	3	4	26
Total costs	134	29	15	178	135	28	13	176
Contribution to Cash Market Segment Profit before Taxation	82	(15)	180	247	62	(15)	104	151

	Three months ended 30 Jun 2010				Three months ended 30 Jun 2009			
	Equity		CBBCs, DWs & others	Total	Equity		CBBCs, DWs & others	Total
	Main Board	GEM			Main Board	GEM		
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	
Stock Exchange Listing Fees								
Annual listing fees	91	6	1	98	83	6	1	90
Initial and subsequent issue listing fees	17	1	87	105	12	1	70	83
Other listing fees	1	-	-	1	1	-	-	1
Total	109	7	88	204	96	7	71	174
Costs of Listing Function								
Direct costs	56	13	5	74	63	14	5	82
Indirect costs	10	1	3	14	11	1	3	15
Total costs	66	14	8	88	74	15	8	97
Contribution to Cash Market Segment Profit before Taxation	43	(7)	80	116	22	(8)	63	77

NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS (UNAUDITED) (CONT'D)

4. Stock Exchange Listing Fees (continued)

Listing fee income is primarily fees paid by issuers to enable them to gain access to the Stock Exchange and enjoy the privileges and facilities by being admitted, listed and traded on the Stock Exchange.

The direct costs listed above are regulatory in nature, which comprise costs of the Listing Function on vetting Initial Public Offerings and enforcing the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited and disseminating information relating to listed companies. Indirect costs comprise costs of support services and other central overheads attributable to the Listing Function.

5. Other Revenue

	Six months ended 30 Jun 2010	Six months ended 30 Jun 2009	Three months ended 30 Jun 2010	Three months ended 30 Jun 2009
	\$m	\$m	\$m	\$m
Network, terminal user, dataline and software sub-license fees	163	130	78	68
Participants' subscription and application fees	17	18	8	9
Trading booth user fees	8	7	4	3
Sales of Trading Rights	4	7	-	4
Miscellaneous revenue	12	12	6	6
	204	174	96	90

6. Net Investment Income

	Six months ended 30 Jun 2010	As restated Six months ended 30 Jun 2009	Three months ended 30 Jun 2010	As restated Three months ended 30 Jun 2009
	\$m	\$m	\$m	\$m
Gross interest income	49	206	27	86
Interest rebates to Participants	(1)	(2)	-	(1)
Net interest income	48	204	27	85
Net realised and unrealised gains including interest income on financial assets measured at fair value through profit or loss, and financial assets and financial liabilities at fair value through profit or loss	110	120	8	106
Realised gains on disposal of available-for-sale financial assets	-	2	-	2
Realised losses on disposal of financial assets measured at amortised cost	(4)	-	(4)	-
Dividend income from financial assets measured at fair value through profit or loss and financial assets at fair value through profit or loss	3	1	2	-
Other exchange differences	1	(2)	-	(2)
Net investment income	158	325	33	191

NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS (UNAUDITED) (CONT'D)

7. Staff Costs and Related Expenses

Staff costs and related expenses comprised the following:

	Six months ended 30 Jun 2010 \$m	Six months ended 30 Jun 2009 \$m	Three months ended 30 Jun 2010 \$m	Three months ended 30 Jun 2009 \$m
Salaries and other short-term employee benefits	380	367	190	207
Employee share-based compensation benefits	10	12	7	5
Retirement benefit costs (note 28(b))	31	30	15	15
	421	409	212	227

8. Information Technology and Computer Maintenance Expenses

	Six months ended 30 Jun 2010 \$m	Six months ended 30 Jun 2009 \$m	Three months ended 30 Jun 2010 \$m	Three months ended 30 Jun 2009 \$m
Costs of services and goods:				
- consumed by the Group	70	70	35	36
- directly consumed by Participants	58	50	29	25
	128	120	64	61

9. Taxation

Taxation charge/(credit) in the condensed consolidated income statement represented:

	Six months ended 30 Jun 2010 \$m	As restated Six months ended 30 Jun 2009 \$m	Three months ended 30 Jun 2010 \$m	As restated Three months ended 30 Jun 2009 \$m
Provision for Hong Kong Profits Tax at 16.5% (2009: 16.5%)	424	384	219	237
Deferred taxation	(4)	8	(1)	2
	420	392	218	239

10. Dividends

	Six months ended 30 Jun 2010 \$m	Six months ended 30 Jun 2009 \$m	Three months ended 30 Jun 2010 \$m	Three months ended 30 Jun 2009 \$m
Interim dividend declared of \$1.89 (2009: \$1.84) per share as at 30 Jun	2,037	1,980	2,037	1,980
Less: Dividend for shares held by Share Award Scheme as at 30 Jun	(3)	(2)	(3)	(2)
	2,034	1,978	2,034	1,978

NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS (UNAUDITED) (CONT'D)

11. Earnings Per Share

The calculation of the basic and diluted earnings per share is as follows:

(a) Basic earnings per share

	Six months ended 30 Jun 2010	As restated Six months ended 30 Jun 2009	Three months ended 30 Jun 2010	As restated Three months ended 30 Jun 2009
Profit attributable to shareholders (\$m)	2,258	2,187	1,131	1,353
Weighted average number of shares in issue less shares held for Share Award Scheme (in '000)	1,076,207	1,074,345	1,076,610	1,074,746
Basic earnings per share (\$)	2.10	2.04	1.05	1.26

(b) Diluted earnings per share

	Six months ended 30 Jun 2010	As restated Six months ended 30 Jun 2009	Three months ended 30 Jun 2010	As restated Three months ended 30 Jun 2009
Profit attributable to shareholders (\$m)	2,258	2,187	1,131	1,353
Weighted average number of shares in issue less shares held for Share Award Scheme (in '000)	1,076,207	1,074,345	1,076,610	1,074,746
Effect of employee share options (in '000)	2,147	3,339	1,637	3,165
Effect of Awarded Shares (in '000)	636	910	706	913
Weighted average number of shares for the purpose of calculating diluted earnings per share (in '000)	1,078,990	1,078,594	1,078,953	1,078,824
Diluted earnings per share (\$)	2.09	2.03	1.05	1.25

12. Cash and Cash Equivalents

	At 30 Jun 2010 \$m	At 31 Dec 2009 \$m
Cash and cash equivalents:		
- Cash collateral received (note 18)	3,700	3,432
- Corporate Funds	1,756	1,319
	5,456	4,751
- Clearing House Funds (note 20)	1,782	1,280
- Margin Funds (note 17)	8,428	8,707
(note (a))	10,210	9,987
	15,666	14,738

- (a) The cash and cash equivalents of the Clearing House Funds and Margin Funds are held in segregated accounts for specific purposes and therefore are not included in cash and cash equivalents of the Group for cash flow purpose in the condensed consolidated statement of cash flows.

NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS (UNAUDITED) (CONT'D)

13. Financial Assets Measured at Fair Value through Profit or Loss

	At 30 Jun 2010			
	Clearing House Funds (note 20) \$m	Margin Funds (note 17) \$m	Corporate Funds \$m	Total \$m
<u>Mandatorily measured at fair value</u>				
Equity securities:				
- listed in Hong Kong	-	-	32	32
- listed outside Hong Kong	-	-	150	150
	-	-	182	182
Debt securities:				
- listed in Hong Kong	-	-	77	77
- listed outside Hong Kong	128	285	1,870	2,283
- unlisted	279	5,589	2,163	8,031
	407	5,874	4,110	10,391
Mutual funds:				
- listed outside Hong Kong	-	-	69	69
Derivative financial instruments:				
- forward foreign exchange contracts	-	-	37	37
Bank deposits with embedded derivatives	-	983	201	1,184
	407	6,857	4,599	11,863
The expected recovery dates of the financial assets are analysed as follows:				
More than twelve months	-	-	1,185	1,185
Within twelve months (note (a))	407	6,857	3,414	10,678
	407	6,857	4,599	11,863

NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS (UNAUDITED) (CONT'D)

13. Financial Assets Measured at Fair Value through Profit or Loss (continued)

	At 31 Dec 2009			
	Clearing House Funds (note 20) \$m	Margin Funds (note 17) \$m	Corporate Funds \$m	Total \$m
<u>Mandatorily measured at fair value</u>				
Equity securities:				
- listed in Hong Kong	-	-	23	23
- listed outside Hong Kong	-	-	157	157
	-	-	180	180
Debt securities:				
- listed in Hong Kong	-	-	68	68
- listed outside Hong Kong	130	290	1,866	2,286
- unlisted	280	6,557	2,455	9,292
	410	6,847	4,389	11,646
Mutual funds:				
- listed outside Hong Kong	-	-	75	75
Derivative financial instruments:				
- equity index futures contracts, listed outside Hong Kong	-	-	1	1
- forward foreign exchange contracts	-	-	17	17
	-	-	18	18
Bank deposits with embedded derivatives	-	1,826	280	2,106
	410	8,673	4,942	14,025
The expected recovery dates of the financial assets are analysed as follows:				
More than twelve months	-	-	1,559	1,559
Within twelve months (note (a))	410	8,673	3,383	12,466
	410	8,673	4,942	14,025

- (a) Included financial assets maturing after twelve months of \$407 million (31 December 2009: \$410 million) and \$5,112 million (31 December 2009: \$5,975 million) attributable to Clearing House Funds and Margin Funds respectively that could readily be liquidated to meet liquidity requirements of the respective Funds.

NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS (UNAUDITED) (CONT'D)

14. Financial Assets Measured at Amortised Cost

	At 30 Jun 2010			
	Clearing House Funds (note 20) \$m	Margin Funds (note 17) \$m	Corporate Funds \$m	Total \$m
Debt securities:				
- listed outside Hong Kong	-	-	203	203
- unlisted	-	-	946	946
	-	-	1,149	1,149
Time deposits with original maturities over three months	3	3,411	1,280	4,694
Other financial assets	-	-	48	48
	3	3,411	2,477	5,891
The expected recovery dates of the financial assets are analysed as follows:				
More than twelve months	-	-	1,179	1,179
Within twelve months (note (a))	3	3,411	1,298	4,712
	3	3,411	2,477	5,891

	At 31 Dec 2009			
	Clearing House Funds (note 20) \$m	Margin Funds (note 17) \$m	Corporate Funds \$m	Total \$m
Debt securities:				
- listed outside Hong Kong	-	-	200	200
- unlisted	-	-	1,096	1,096
	-	-	1,296	1,296
Time deposits with original maturities over three months	51	2,854	674	3,579
Other financial assets	-	-	50	50
	51	2,854	2,020	4,925
The expected recovery dates of the financial assets are analysed as follows:				
More than twelve months	-	-	768	768
Within twelve months (note (a))	51	2,854	1,252	4,157
	51	2,854	2,020	4,925

- (a) Included time deposits maturing after twelve months of \$2 million (31 December 2009: \$2 million) and \$Nil (31 December 2009: \$954 million) attributable to the Clearing House Funds and Margin Funds respectively that could readily be liquidated to meet liquidity requirements of the respective Funds.

15. Accounts Receivable, Prepayments and Deposits

The Group's accounts receivable, prepayments and deposits mainly represented the Group's Continuous Net Settlement money obligations receivable, which accounted for 94 per cent (31 December 2009: 92 per cent) of the total accounts receivable, prepayments and deposits. Continuous Net Settlement money obligations receivable mature within two days after the trade date. The majority of the remaining accounts receivable, prepayments and deposits were due within three months.

16. Lease premium for land

During the period ended 30 June 2010, the Group acquired a medium-term land lease at Tseung Kwan O in Hong Kong for the construction of a new data centre.

17. Margin Deposits from Clearing Participants on Derivatives Contracts

	At 30 Jun 2010 \$m	At 31 Dec 2009 \$m
Margin deposits from Clearing Participants comprised (note (a)):		
SEOCH Clearing Participants' margin deposits	2,808	2,567
HKCC Clearing Participants' margin deposits	15,888	17,676
	18,696	20,243
The margin deposits were invested in the following instruments for managing the obligations of the Margin Funds:		
Financial assets measured at fair value through profit or loss (note 13)	6,857	8,673
Financial assets measured at amortised cost (note 14)	3,411	2,854
Margin receivable from Clearing Participants	-	9
Cash and cash equivalents (note 12)	8,428	8,707
	18,696	20,243

(a) Amounts excluded non-cash collateral received and utilised as alternative to cash margin.

18. Cash Collateral from HKSCC Clearing Participants

HKSCC Clearing Participants are required to deposit cash collateral with HKSCC to cover the risk of potential losses arising from their unsettled securities transactions. The cash collateral received is held in savings accounts and forms part of the cash and cash equivalents of the Group (note 12).

19. Accounts Payable, Accruals and Other Liabilities

The Group's accounts payable, accruals and other liabilities mainly represented the Group's Continuous Net Settlement money obligations payable, which accounted for 85 per cent (31 December 2009: 89 per cent) of the total accounts payable, accruals and other liabilities. Continuous Net Settlement money obligations mature within two days after the trade date. The majority of the remaining accounts payable, accruals and other liabilities would mature within three months.

NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS (UNAUDITED) (CONT'D)

20. Clearing House Funds

	At 30 Jun 2010 \$m	At 31 Dec 2009 \$m
The Clearing House Funds were attributable to:		
Clearing Participants' contributions (note (a)) :		
Due within twelve months	1,154	723
Due after twelve months	282	276
	1,436	999
Designated reserves (note 23)	569	563
	2,005	1,562
The Clearing House Funds were invested in the following instruments for managing the obligations of the Funds (note (b)):		
Financial assets measured at fair value through profit or loss (note 13)	407	410
Financial assets measured at amortised cost (note 14)	3	51
Cash and cash equivalents (note 12)	1,782	1,280
	2,192	1,741
Less: Other financial liabilities of Clearing House Funds	(29)	(20)
	2,163	1,721
Provision for loss arising from closing-out losses of defaulting Participants	(158)	(159)
	2,005	1,562
The Clearing House Funds comprised the following Funds:		
HKSCC Guarantee Fund	219	219
SEOCH Reserve Fund	660	583
HKCC Reserve Fund	1,126	760
	2,005	1,562

- (a) Amounts excluded bank guarantees received and utilised as alternatives to cash contributions.
- (b) The Clearing House Funds were established to support the respective clearing houses (ie, HKSCC, HKCC and SEOCH) to fulfil their counterparty obligations in the event that one or more of their Clearing Participants fail to meet their obligations to the clearing houses. The HKSCC Guarantee Fund also provides resources to enable HKSCC to discharge the liabilities and obligations of defaulting Clearing Participants arising from depositing defective securities into the Central Clearing and Settlement System.

NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS (UNAUDITED) (CONT'D)

21. Share Capital, Share Premium and Shares Held for Share Award Scheme

		At 30 Jun 2010 \$m	At 31 Dec 2009 \$m		
Authorised:					
2,000,000,000 shares of \$1 each		2,000	2,000		
Issued and fully paid:					
	Number of shares of \$1 each ' 000	Share capital \$m	Share premium \$m	Shares held for Share Award Scheme \$m	Total \$m
At 1 Jan 2009	1,073,940	1,075	347	(65)	1,357
Shares issued under employee share option schemes (note (a))	1,304	1	22	-	23
Transfer from employee share-based compensation reserve	-	-	7	-	7
Shares purchased for Share Award Scheme (note (b))	(90)	-	-	(9)	(9)
Vesting of shares of Share Award Scheme	361	-	-	22	22
At 31 Dec 2009	1,075,515	1,076	376	(52)	1,400
At 1 Jan 2010	1,075,515	1,076	376	(52)	1,400
Shares issued under employee share option schemes (note (a))	1,725	2	29	-	31
Transfer from employee share-based compensation reserve	-	-	7	-	7
Shares purchased for Share Award Scheme (note (b))	(738)	-	-	(91)	(91)
Vesting of shares of Share Award Scheme	14	-	-	2	2
At 30 Jun 2010	1,076,516	1,078	412	(141)	1,349

- (a) During the period, employee share options granted under the first share option scheme (“Pre-Listing Scheme”) and the second share option scheme (“Post-Listing Scheme”) were exercised to subscribe for 1,725,000 shares (year ended 31 December 2009: 1,304,000 shares) in HKEx at an average consideration of \$17.81 per share (year ended 31 December 2009: \$17.82 per share), of which \$1.00 per share was credited to share capital and the balance was credited to the share premium account.
- (b) During the period, the Share Award Scheme acquired 738,100 HKEx shares (year ended 31 December 2009: 89,700 shares) through purchases on the open market. The total amount paid to acquire the shares during the period was \$91 million (year ended 31 December 2009: \$9 million) and had been deducted from shareholders’ equity.

22. Employee Share-based Compensation Reserve

The Group operates two employee share option schemes and a Share Award Scheme. The employee share-based compensation expenses in relation to the options and share awards were charged to profit or loss under staff costs over the relevant vesting periods with a corresponding increase in employee share-based compensation reserve.

In April 2010, the Board resolved to amend the Share Award Scheme and change the vesting period of the Awarded Shares granted on or after 13 May 2010 from 5 years to 3 years. Accordingly, the shares would be vested in two equal tranches from the second to the third year after the shares are granted, as opposed to four equal tranches from the second to the fifth year prior to the change.

Details of Awarded Shares purchased during the six months ended 30 June 2010 are set out below:

Date of approval by Board	Date of award	Awarded Sum \$m	Number of shares purchased	Number of shares awarded	Average fair value per share \$	Vesting period
23 Apr 2010	10 Jun 2010	89	720,100	720,054	123.29	13 May 2012 – 13 May 2013
23 Apr 2010	9 Jul 2010	1	6,900	6,900	121.88	10 Jun 2012 – 10 Jun 2013

During the period, 11,100 HKEx shares (year ended 31 December 2009: 29,800 shares) were acquired through re-investing dividends received.

23. Designated Reserves

Designated reserves are segregated for their respective purposes and comprised the following:

	At 30 Jun 2010 \$m	At 31 Dec 2009 \$m
Clearing House Funds reserves		
- HKSCC Guarantee Fund reserve	123	122
- SEOCH Reserve Fund reserve	110	109
- HKCC Reserve Fund reserve	336	332
	569	563

24. Retained Earnings

	2010 \$m	2009 \$m
At 1 Jan	6,021	5,241
Profit for the period/year	2,258	4,704
Transfer to Clearing House Funds reserves	(6)	(11)
Dividends:		
2009/2008 final dividend	(2,248)	(1,933)
Dividend on shares issued for employee share options exercised after 31 Dec 2009/31 Dec 2008	(3)	(2)
	(2,251)	(1,935)
2009 interim dividend	-	(1,978)
Unclaimed dividends forfeited	14	4
Vesting of shares of Share Award Scheme	-	(4)
At 30 Jun 2010/31 Dec 2009	6,036	6,021
Representing:		
Retained earnings	4,002	3,773
Declared interim/proposed final dividend	2,034	2,248
At 30 Jun 2010/31 Dec 2009	6,036	6,021

25. Notes to the Condensed Consolidated Statement of Cash Flows

Reconciliation of profit before taxation to net cash inflow from operating activities:

	Six months ended 30 Jun 2010 \$m	As restated Six months ended 30 Jun 2009 \$m
Profit before taxation	2,678	2,579
Adjustments for:		
Net interest income	(48)	(204)
Dividend income	(3)	(1)
Net realised and unrealised gains including interest income on financial assets measured at fair value through profit or loss, and financial assets and financial liabilities at fair value through profit or loss	(110)	(120)
Realised losses on disposal of financial assets measured at amortised cost of Corporate Funds	4	-
Depreciation	53	48
Employee share-based compensation benefits	10	12
Gain on disposal of fixed assets	(1)	-
Provision for impairment losses of trade receivables	1	-
Provision for impairment losses of fixed assets	-	1
Changes in provisions	(4)	(1)
Net decrease in Margin Fund financial assets	1,536	19,932
Net decrease in Margin Fund financial liabilities	(1,547)	(20,015)
Net increase in Clearing House Fund financial assets	(453)	(27)
Net increase in Clearing House Fund financial liabilities	446	23
Net increase in cash collateral received from HKSCC Clearing Participants	268	132
Net increase in financial assets measured at fair value through profit or loss, and financial assets and financial liabilities at fair value through profit or loss	(62)	(13)
Decrease in accounts receivable, prepayments and deposits	1,868	2,407
Decrease in other current liabilities	(1,502)	(2,105)
Net cash inflow from operations	3,134	2,648
Dividends received	2	1
Interest received from bank deposits	37	60
Interest received from financial assets measured at fair value through profit or loss and financial assets at fair value through profit or loss	53	58
Interest paid	(1)	(2)
Hong Kong Profits Tax paid	(202)	(234)
Net cash inflow from operating activities	3,023	2,531

NOTES TO THE CONDENSED CONSOLIDATED ACCOUNTS (UNAUDITED) (CONT'D)

26. Commitments

Commitments in respect of capital expenditures:

	At 30 Jun 2010 \$m	At 31 Dec 2009 \$m
Contracted but not provided for	11	1
Authorised but not contracted for	233	65
	244	66

The commitments in respect of capital expenditures were mainly for the upgrade and enhancement of trading and clearing systems, development and purchases of various other computer systems and, for 2010, the construction of a new data centre at Tseung Kwan O.

27. Contingent Liabilities

As at 30 June 2010, the Group's material contingent liabilities were as follows:

- (a) The Group had a contingent liability in respect of potential calls to be made by the Securities and Futures Commission ("SFC") to replenish all or part of compensation less recoveries paid by the Unified Exchange Compensation Fund established under the Securities Ordinance up to an amount not exceeding \$71 million (31 December 2009: \$72 million). Up to 30 June 2010, no calls had been made by the SFC in this connection.
- (b) The Stock Exchange had undertaken to indemnify the Collector of Stamp Revenue against any underpayment of stamp duty by its Participants of up to \$200,000 for each Participant. In the unlikely event that all of its 470 trading Participants covered by the indemnity as at 30 June 2010 (31 December 2009: 462) defaulted, the maximum contingent liability of the Stock Exchange under the indemnity would amount to \$94 million (31 December 2009: \$92 million).
- (c) HKEx had given an undertaking in favour of HKSCC to contribute up to \$50 million in the event of HKSCC being wound up while it is a wholly-owned subsidiary of HKEx or within one year after HKSCC ceases to be a wholly-owned subsidiary of HKEx, for payment of the liabilities of HKSCC contracted before HKSCC ceases to be a wholly-owned subsidiary of HKEx, and for the costs of winding up.

28. Material Related Party Transactions

- (a) Key management personnel compensation

	Six months ended 30 Jun 2010 \$m	Six months ended 30 Jun 2009 \$m	Three months ended 30 Jun 2010 \$m	Three months ended 30 Jun 2009 \$m
Salaries and other short-term employee benefits	38	39	19	21
Employee share-based compensation benefits	3	4	2	2
Retirement benefit costs	3	3	1	1
	44	46	22	24

- (b) Post-retirement benefit plans

The Group has sponsored a defined contribution provident fund scheme ("ORSO Plan") and a Mandatory Provident Fund scheme ("MPF Scheme"). The retirement benefit costs charged to the condensed consolidated income statement represent contributions paid and payable by the Group to the ORSO Plan and the MPF Scheme and related fees (note 7).

- (c) Save as aforesaid, the Group has entered into other transactions in the ordinary course of business with companies that are related parties but the amounts were immaterial.